

ADOPTED

MEMORANDUM

September 15, 1988

TO: BOSTON REDEVELOPMENT AUTHORITY AND STEPHEN COYLE,
DIRECTOR

FROM: ANTHONY WILLIAMS, ASSISTANT DIRECTOR FOR
NEIGHBORHOOD HOUSING AND DEVELOPMENT

SUBJECT: 185 STATE STREET

SUMMARY: Request authorization to finally designate 185 State Street Associates as Redevelopers of Parcel D-9A, located at 185 State Street in the Waterfront Urban Renewal Area, and which was tentatively designated on August 18, 1988.

BACKGROUND

Parcel D-9A in the Waterfront Urban Renewal Area is located at 185 State Street, one block west of the Southeast Expressway. It is owned by the Authority, and consists of an eight story masonry building containing approximately 32,000 g.s.f on a footprint of approximately 4,000 s.f of land. The structure contains a usable basement. The existing zoning is B-10, permitting retail and office uses.

The building was constructed in 1885 as a five-story structure of granite block. A three story brick addition was constructed in the 1930s. The building is currently used by the Property Management staff of the Authority, and as storage for Authority records. At present, the structure's roof needs repairs.

In October 1986 the Director was contacted by 185 State Street Associates interested in 185 State Street as an opportunity for minority developers to establish a presence in downtown Boston by developing first class office space. Since that time, staff has met with the developers to hold development discussions. 185 State Street Associates, composed entirely of minority entrepreneurs, includes Fletcher Wiley, President of BWR Realty Associates, Inc., Ronald Homer, President of Boston Bank of Commerce, Randolph Kinder, Vice President of Equitable Life Insurance Company, Joseph D. Warren, Director of Community Affairs at Northeastern University, and Bernard T. West, President and CEO of Coolidge Bank and Trust Company.

DEVELOPMENT PROPOSAL

On September 16, 1987, 185 State Street Associates submitted a proposal to purchase the site, and the proposal went to the Board

on October 8, 1987. The Memorandum was taken under advisement, and assigned to sub-committee. 185 State St. Associates amended their proposal on October 26, 1987. The development proposal approved by the Board for tentative designation on August 18, 1988 is as follows:

I. The team wishes to renovate the building and market the space as commercial office and retail space at all market sales rates.

The team already has received expressions of significant interest from prospective lessees, including the Boston Bank of Commerce (two floors plus 1500 s.f. of retail space), Input-Output Computer Services (one floor) and the Social Policy Research Group (one or two floors).

II. An independent appraisal requested by the Authority resulted in the recommended price of \$2.2 million dollars which the Redevelopers agree to pay. Payment will be made by one million dollars in cash and the remainder deferred at an interest rate of prime plus two for three years, evidenced by a promissory note. Interest during construction will be deferred and accrued over eighteen months.

Additionally, the Authority reserves the unconditional option to purchase the fourth, fifth and sixth floors at 185 State Street at an amount equal to the deferred remainder of the purchase price, including interest, with buildout to be turnkey to the four walls, with all appropriate systems installed, occupiable to Building Code standards. Further, the Redeveloper shall include in its initial lease-up plans for the premises the express provision for preference to be given to Minority Business Enterprises as lessees.

Attached are copies of the letters from Bernard West transmitting the formal offer as amended from 185 State Street Associates to purchase 185 State Street for \$2.2 million and to develop it as office space, together with a project pro forma.

Financing for the project is being provided as follows: there is a commitment for acquisition and soft-cost financing by the Coolidge Bank of Boston in the amount of \$1.3 million, and there is a letter of interest from Coolidge Bank for the construction financing.

The architect for this project is Stull and Lee Associates of Boston, MA, a minority architectural firm.

In furtherance of all aspects of the Urban Renewal Plan, 185 State Street Associates has submitted preliminary plans which have been reviewed and approved by the Authority's design staff.

The Authority shall have six (6) months from the conveyance date to vacate the premises, with the option to extend such time upon agreement between the Authority and the Redeveloper. The Authority will continue to be responsible for the heat, maintenance and repair, and insurance as long as the Authority continues to be the primary occupant of the building.

Because this project would be the first in Boston's downtown development history to be undertaken by an all-minority team, it is recommended that 185 State Street Associates be finally designated as Redevelopers of Parcel D-9A for use as office and retail space, and additionally, the Authority reserves the unconditional option to purchase the fourth, fifth and sixth floors at 185 State Street at an amount equal to the deferred remainder of the purchase price, including interest, with buildout to be turnkey to the four walls, with all appropriate systems installed, occupiable to Building Code standards, and further, that the Redeveloper shall include in its initial lease-up plans for the premises the express provision for preference to be given to Minority Business Enterprises as lessees.

An appropriate resolution follows:

1. That 185 State Street Associates be and is hereby designated as Redeveloper of Parcel D-9A in the Downtown Urban Renewal Area.
2. That it is hereby determined that 185 State Street Associates possesses the qualifications and financial resources necessary to acquire and develop the parcel in accordance with the Urban Renewal Plan for the Project Area.
3. That disposal of said Parcel by negotiation is the appropriate method of making the land available for redevelopment.
4. That the preliminary plans submitted by 185 State Street Associates, Inc. for the development of Parcel D-9A conform in all respects to the Urban Renewal Plan for the Project Area and that said preliminary plans be and are hereby approved.

RESOLUTION OF THE BOSTON REDEVELOPMENT AUTHORITY RE: THE FINAL DESIGNATION OF PARCEL D-9A IN THE WATERFRONT URBAN RENEWAL AREA PROJECT NO. MASS. R-77

WHEREAS, the Boston Redevelopment Authority, (hereinafter referred to as the "Authority"), has entered into a contract for loan and capital grant with the Federal Government under Title I of the Housing Act of 1949, as amended, which contract provides for financial assistance in the hereinafter identified project; and

WHEREAS, the Urban Renewal Plan for the Waterfront Urban Renewal Area, Project No. Mass. R-77 (hereinafter referred to as the "Project Area"), has been duly reviewed and approved in full compliance with local, state and federal law; and

WHEREAS, the Authority is cognizant of the conditions that are imposed in the undertaking and carrying out of urban renewal projects with federal financing assistance under said Title I, including those prohibiting discrimination because of race, color, sex, religion, or national origin; and

WHEREAS, 185 State Street Associates has expressed an interest and submitted a satisfactory proposal for the development of Parcel D-9A in the Waterfront Urban Renewal Area; and

WHEREAS, the Authority is cognizant of Chapter 30, Sections 61 through 62H of the Massachusetts General Laws, as amended, with respect to minimizing and preventing damage to the environment:

NOW, THEREFORE, BE IT RESOLVED BY THE BOSTON REDEVELOPMENT AUTHORITY:

1. That 185 State Street Associates be and hereby is finally designated as Redeveloper of Parcel D-9A in the Waterfront Urban Renewal Area.
2. That it is hereby determined that 185 State Street Associates possesses the qualifications and financial resources necessary to acquire and develop the parcels in accordance with the Urban Renewal Plan for the Project Area.
3. That disposal of said Parcel by negotiation is the appropriate method of making the land available for redevelopment.
4. That the preliminary plans submitted by 185 State Street Associates, Inc. for the development of Parcel D-9A conform in all respects to the Urban Renewal Plan for the Project Area and that said preliminary plans be and are hereby approved.

JOHN FITZGERALD

STATE

CENTRAL

199	3250	96
197		94
195	3900	92
193		90
191	3250	88
189		86
185	3900	84
		82
183	3250	80
181		78
177 179	5524	76

WATERFRONT URBAN RENEWAL PARCEL D-9A

185 STATE STREET



COOLIDGE BANK
AND TRUST COMPANY

75 ARLINGTON STREET, BOSTON, MASSACHUSETTS 02116 (617) 556-0403

TLX: 948290 CABLE: COCLBANK

BERNARD T. WEST
PRESIDENT

September 16, 1987

BY HAND

Stephen Coyle, Director
Boston Redevelopment Authority
Boston City Hall, 9th Floor
Boston, MA 02201

Re: 185 State Street, Boston, Mass.

Dear Mr. Coyle:

Please accept this letter as a formal offer on behalf of 185 State Street Associates (the "Developers") to purchase and develop 185 State Street, Boston, Massachusetts for the purchase price of Two Million Two Hundred Thousand Dollars (\$2,200,000.00) payable as follows:

1. One Million Dollars (\$1,000,000) in cash;
2. One Million Two Hundred Thousand Dollars (\$1,200,000) to be paid within four (4) years with interest at the Bank of Boston prime rate plus two percent (2%);
3. Interest during construction, which is expected to be fourteen (14) months, will be accrued; and
4. The Boston Redevelopment Authority ("BRA") will subordinate their One Million Two Hundred Thousand Dollar (\$1,200,000) note to construction and permanent mortgage lenders.

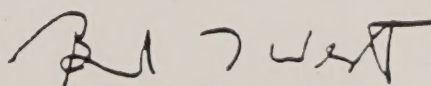
Stephen Coyle, Director
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September 16, 1987

The Developers (all of whom are minorities) intend to develop the premises into high-quality office space, and in particular, quality affordable space for minority individuals, businesses and organizations interested in locating and conducting business in the downtown area. We have already received significant expressions of interest from prospective lessees including the Boston Bank of Commerce (which has made a tentative commitment to relocate its headquarters in the Project), the Professional and Business Club, Inc. (the "Club"), a minority business and social club (which is interested in locating its Club and restaurant facilities in the Project), and Input-Output Computer Services, Inc. (which is looking for office space). Additionally, the Developers expect to attract attention from some of the Black Enterprise 100 firms who have expressed an interest in locating offices in downtown Boston.

The Developers include Ronald A. Homer, President of the Boston Bank of Commerce; Randolph Kinder, Vice President, Equitable Life Insurance Company; Joseph D. Warren, Director of Community Affairs, Northeastern University; Bernard T. West, President and CEO, Coolidge Bank and Trust Company; Fletcher H. Wiley, President of BWR Realty Associates, Inc., the real estate subsidiary of Budd, Wiley & Richlin, P.C.; and The PBC Corporation, owner of the premises at 543 Massachusetts Avenue and comprised of the shareholders whose names appear on Exhibit A attached hereto. Each and every team member has extensive experience in real estate development and can easily, effectively and efficiently accomplish his respective responsibilities in the Project. In addition, as part of the team's abiding commitment to minority business enterprise, all of the principal elements involved in the development of the Project (e.g. contractors, subcontractors, architects, attorneys, etc.) will be minorities.

We are excited about the prospects about making this Project the first tangible demonstration of the City's commitment to minority involvement in downtown business development. With your assistance and cooperation, 185 State Street will be the harbinger of things to come, and as such, add further luster to the Flynn Administration's and BRA's growing reputations as wise and creative innovators.

Sincerely,



Bernard T. West

PROJECT PRO-FORMA

PROJECT: 185 State Street
Boston, MA

DESCRIPTION OF PROPERTY: 24,525 Rentable Square Feet

Purchase Price/Sq Ft	90
Rehab Cost/Sq Ft	90
Soft Cost/Sq Ft	53

TOTAL 233

TOTAL PROJECT COST: 5,720,000

<u>Rentable Square Feet</u>		<u>Gross Income Per Square Foot</u>	
3000	Retail	35 (NET)	Retail \$105,000
21525	Office	24	Office 516,600
		TOTAL	\$621,600

<u>GROSS INCOME</u>	\$621,600
(Vacancy) 5%	(31,800)

TOTAL INCOME \$589,800

Operating Expense (office only)	130,000
6.00 sq.ft. including R/E taxes	
Management Expense (4%)	22,500

TOTAL EXPENSE \$152,500

Cash Flow (NOI) \$437,300

SOURCE:

1st Mortgage Loan	\$3,460,000	61.5%
Equity	2,260,000	39.5%

TOTAL SOURCE \$5,720,000 100%

NOI 437,300

1.20 coverage 364,416

3,460,000 10%, 5 year note, 30 year amortization
10.53% constant

Income 437,300
Debt Service 364,416

Cash Flow 72,884 Equity 2,260,000 Return on Equity 3.2% Cash on Cash

185 State Street

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COST:

Acquisition	\$2,200,000
Direct Construction (Inc. new elevator 70 PSF)	1,716,750
Tenant Improvements (20 office only PSF)	490,500
Architect/Engineering (6% of Hard Cost)	103,005
Legal - Including Lease Review	30,000
Construction Interest (10% 3,300,000 A/O 14 mos)	350,000
Rent-up Deficit (Rent Incentives)	275,000
Loan Fees (2 points) (1) construction (1) permanent	70,000
Project Administration (Development Overhead)	125,000
Construction Contingency (10%)	170,000
Permits/License Fees	20,000
Accounting	7,500
Insurance (Casualty/Title)	30,000
Real Estate Taxes (14 months) 1.25 sq.ft.	36,500
Marketing	95,000
TOTAL COST	<u>\$5,719,255</u>



COOLIDGE BANK
AND TRUST COMPANY

To DE VOTES

5/26/88

Penn Moulton
9th

75 ARLINGTON STREET, BOSTON, MASSACHUSETTS 02116 (617) 556-0403

TLX: 948290 CABLE: COOLBANK

BERNARD T. WEST
PRESIDENT

October 26, 1987

BY HAND

Stephen Coyle, Director
Boston Redevelopment Authority
Boston City Hall, 9th Floor
Boston, MA 02201

Re: 185 State Street, Boston, Mass.

Dear Mr. Coyle:

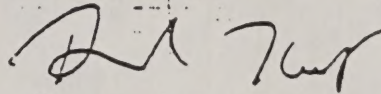
In accordance with your Board's action on October 8, 1987 regarding the above-referenced property, Mr. James Flaherty and Clarence Jones of your Board, along with BRA staff members Ricardo Millett and Pamela Moulton, met with myself and other principals of 185 State Street Associates (Ron Homer, Joseph Warren and Fletcher Wiley) to resolve any lingering concerns regarding the project. I believe we have succeeded in that effort; and other than presenting the Committee with a few clarifications of our original proposal, there were a limited number of modifications we were asked to consider. Accordingly, we are hereby submitting for your review the following amendments to our proposal of September 16, 1987 (a copy of which is enclosed herewith). First, we are reducing the four (4) year amortization period for your purchase money financing to three (3) years. Secondly, we are requesting that interest during construction be accrued for eighteen (18) months rather than fourteen (14) months.

5. That it is hereby found and determined that the proposed development will not result in significant damage to or impairment of the environment, and further, that all practicable feasible means and measures have been taken and are being utilized to avoid or minimize damage to the environment.
6. That the Director is hereby authorized for and in behalf of the Boston Redevelopment Authority to execute and deliver a Land Disposition Agreement and Deed conveying Parcel D-9A to 185 State Street Associates, said documents to be in the Authority's usual form, providing, however, that said Land Disposition Agreement and Deed shall include the express provisions which the Authority requires, as follows: that the Authority reserves the unconditional option to purchase the fourth, fifth and sixth floors at 185 State Street at an amount equal to the deferred remainder of the purchase price, including interest, with buildout to be turnkey to the four walls, with all appropriate systems installed, occupiable to Building Code standards, and further, that the Redeveloper shall include in its initial lease-up plans for the premises the express provision for preference to be given to Minority Business Enterprises as lessees. The Director also shall be authorized to execute and deliver a Transportation Access Plan Agreement and any other documents necessary for the development of the Project Area.
7. That the Secretary is hereby authorized and directed to publish notice of the proposed disposal transaction in accordance with Section 105(E) of the Housing Act of 1949, as amended, including information with respect to the "Redeveloper's Statement for Public Disclosure" (Federal Form H-6004).
8. That the Authority shall have six (6) months from the conveyance date to vacate the premises, with the option to extend such time upon agreement between the Authority and the Redeveloper. The Authority will continue to be responsible for the heat, maintenance and repair, and insurance as long as the Authority continues to be the primary occupant of the building, prior to the commencement of the actual rehabilitation. Further, that the Redevelopers have agreed, at the open hearing, that they will be responsible for the replacement of the roof at 185 State Street.
9. That the Redeveloper be and hereby is authorized to petition to the Board of Appeals for any zoning changes that may be necessary to complete the proposed development.

Stephen Coyle, Director
October 26, 1987
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In all other respects, our proposal remains the same; and we look forward to taking the next step. In that regard, we hope to hear from you in the very near future, and in the meantime, thank you again for your continuing assistance and cooperation.

Sincerely,

A handwritten signature in dark ink, appearing to read "B. T. West", written over a horizontal line.

Bernard T. West